

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 880 – HB 1005

January 20, 2014

SUMMARY OF ORIGINAL BILL: Authorizes, instead of requires, a homeowner property insurer to make available insurance for sinkhole losses on any dwelling, and the personal property located therein. Authorizes any insurer to require an inspection of a property prior to offering sinkhole loss coverage. Requires any insurer who offers sinkhole loss coverage to appropriately file with the Department of Commerce and Insurance. Creates various provisions governing the sinkhole loss damage for which an insurer is liable.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (011036): Deletes all language after the enacting clause. Specifies that sinkhole loss coverage is not mandated to be included in homeowner property insurance policies but insurers who offer homeowner property insurance must make sinkhole loss coverage available. Authorizes insurers to require an inspection of the property before issuance of sinkhole loss coverage. Establishes minimum standards an insurer must meet in investigating a claim for a sinkhole loss. Requires any insurer who offers sinkhole loss coverage to appropriately file with the Department of Commerce and Insurance. Creates various provisions governing the sinkhole loss damage for which an insurer is liable and governing the conduct of the insurer and the policy holder.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This bill as amended will likely reduce the amount of insurance claims accepted by those insurers providing coverage for sinkhole losses; however, this will affect a transaction between private entities and will result in no significant fiscal impact to state or local government.

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- According to the Department of Commerce and Insurance, it anticipates an increase in the number of consumer complaints and inquiries. The Department will also need to ensure that the coverage offered by insurers conforms to the provisions of this bill as amended, but any such increase in complaints, inquiries, and enforcement duties can be handled within the Department's existing resources.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- The proposed legislation changes current regulations over the offering of sinkhole loss coverage by insurance companies.
- It is estimated that the changes to regulations will not significantly impact the number of sinkhole loss policies that are offered in the state or the number of insurance companies offering coverage.
- Any changes to sinkhole loss policy premiums paid to insurance companies in the state or the amount of funds that an insurance company has to pay out to a sinkhole loss policyholder will be on a case-by-case basis and cannot be reasonably quantified.
- Any impact to commerce or jobs as a result of the proposed legislation is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb